

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

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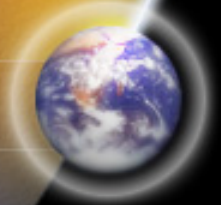
Doug Skiles, CPA



# Accounting and Review Services Committee

**PROPOSED STATEMENT ON  
STANDARDS FOR ACCOUNTING AND  
REVIEW SERVICES**

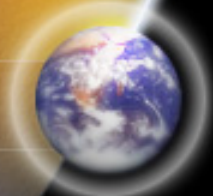
***COMPILATION ENGAGEMENTS***





# Compilations as a Nonattest Service

- PEEC amended 101-3 to clarify its guidance pertaining to when a CPA designs or maintains internal controls for an attest client and the impact on independence
- With this barrier and confusion removed, PEEC further amended 101-3 to clarify that preparation of financial statements, in whole or in part, is a non attest service
  - Effective for engagements covering periods beginning on or after December 15, 2014



# Remove Independence from Compilation Service

The ARSC voted to remove independence from the compilation standard –

By definition this would make compilation a non attest service.

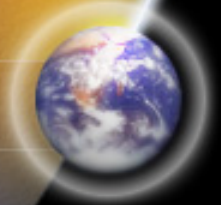
Therefore a compilation/preparation service essentially would become one in the same.





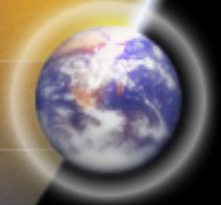
# Independence Related Matters

1. No reporting of independence is required but it is not prohibited.
2. If an accountant has a direct or material indirect financial interest in a client this must be disclosed.
3. If an accountant receives a contingent fee, commission, or referral fee it must be disclosed.



# Independence Related Matters

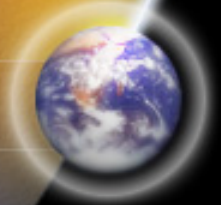
4. If not independent and reason is disclosed, all reasons must be disclosed.





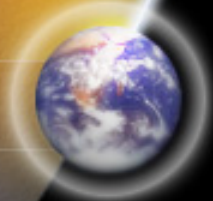
# Question 1

**The ARSC asks for specific feedback as to whether respondents are supportive of the repositioning of the compilation engagement as a nonattest service.**



# Statement or Legend on Each Page of the Financial Statements

For transparency and what ARSC believes is in the public interest it was determined that if no report was to be issued, the client would agree in an engagement letter to place a “legend” such as the ones on the following slide on each page of the financial statements.





# Statement or Legend on Each Page of the Financial Statements

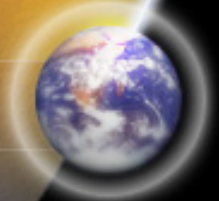
No CPA provides any assurance on these financial statements.

These financial statements have not been audited or reviewed, and no CPA provides any assurance on them.



# Reasons ARSC supports legend for financial statements with third party use

- Compilation is a preparation service
- Compilation is a nonattest service
- Compilation service gives no assurance
- Modernizes standard for cloud bookkeeping and financial statement assistance
- Removes question in practice for years of submission





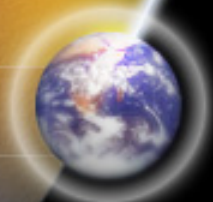
# Reasons ARSC supports legend for financial statements with third party use

- Eliminates SSARS 8 question of financial statements going to third parties
- All departures from applicable framework have to be disclosed (unlike SSARS 8)
- CPAs and clients can use judgment as to whether to use legend or report (unless report is required)
- Will not change the peer review requirement



## Question 2


The ARSC asks for specific feedback as to whether respondents are supportive of the proposed requirement that each page of the compiled financial statements include a statement or legend that no CPA provides any assurance on the financial statements or the accountant would be required to issue a report.





# Effect on Engagements to Compile Financial Statements That Omit Substantially all Disclosures

The proposed SSARS provides additional flexibility by allowing management to disclose within the statement, in a legend, or in a select note, in the financial statement tiles etc. that the financial statements omit substantially all disclosures required by the applicable financial reporting framework are omitted.



## Question 3

The ARSC asks for specific feedback as to whether respondents are supportive of the proposal that would permit the accountant to not report on financial statements that omit substantially all disclosures provided that the financial statements include, within the statement or legend regarding the nonassurance element of the compilation engagement, a statement that the financial statements omit substantially all disclosures.





# Reporting

An Accountants Report is required when:

- a) The accountant is engaged or decides to report
- b) Financial statements contain departures from applicable framework and such departures are not disclosed in notes
- c) There is not an appropriate legend on financial statements indicating no assurance is provided by a CPA



# Reporting

d) Accountant has a direct or material indirect financial interest (public interest)

e) Account works for a contingent fee for a client

(Rule 302)

f) Accountant receives a commission or referral fee and third party will use financial statements (Rule

503)





# Reporting

An Accountants Report is not required even if statements will go to third parties:

- If appropriate disclosure of applicable reporting framework is on each financial statement, and
- An appropriate legend indicating no assurance is provided is on each financial statement
- Legend example:
  - No CPA provides any assurance on these financial statements.
  - These financial statements have not been audited or reviewed and no CPA provides any assurance on them.



# EXAMPLE REPORT

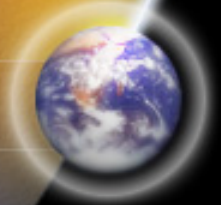
The accompanying financial statements of XYZ Company as of and for the years ended December 31, 20X2 and 20X1 are the responsibility of management of XYZ Company. I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Such standards require me (us) to be objective in the performance of the engagement but do not require me (us) to be independent of XYZ Company. I (we) did not audit or review the financial statements nor did I (we) perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion or a conclusion or provide any form of assurance on these financial statements.





# Question 4

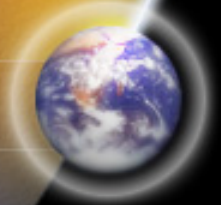
The ARSC asks for specific feedback as to whether respondents are supportive of the proposed reporting requirements.



# APPLICABILITY

ARSC proposes that the standard would apply when the accountant

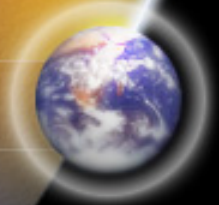
- a. is engaged by management to prepare financial statements;
- b. Intends to issue, or is required by the proposed SSARS to issue a compilation report; or
- c. agrees to be associated with financial statements





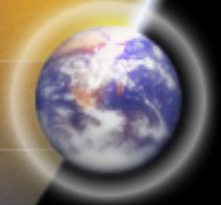
# ASSOCIATION WITH FINANCIAL STATEMENTS

An accountant is associated with financial statements when the accountant permits the use of the accountant's name in a report, document, or written communication containing such financial statements.



# Question 5

The ARSC asks for specific feedback as to whether respondents are supportive of the revised applicability of the compilation engagement.





# Engagement Letter

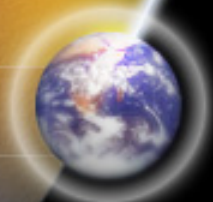
ARSC proposes that the engagement letter or other suitable form of written agreement should be signed by

- a. the accountant or the accountant's firm **and**
- b. management.



## Question 6

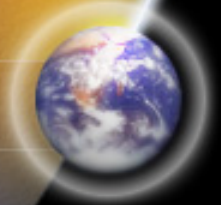
The ARSC asks for specific feedback as to whether respondents are supportive of the requirement that the engagement letter or other suitable form of written communication be signed by (a) the accountant or the accountant's firm and (b) management.





# Effective Date

ARSC proposes that the effective date of the proposed SSARS be for fiscal years (and interim periods within those years) beginning on or after December 15, 2014. Early implementation is permitted.



# Question 7

The ARSC asks for specific feedback as to whether respondents are supportive of the proposed effective date including whether early implementation should be permitted.

